The Making of an Alert Depositor: How Payment and Interest Drive Deposit Dynamics

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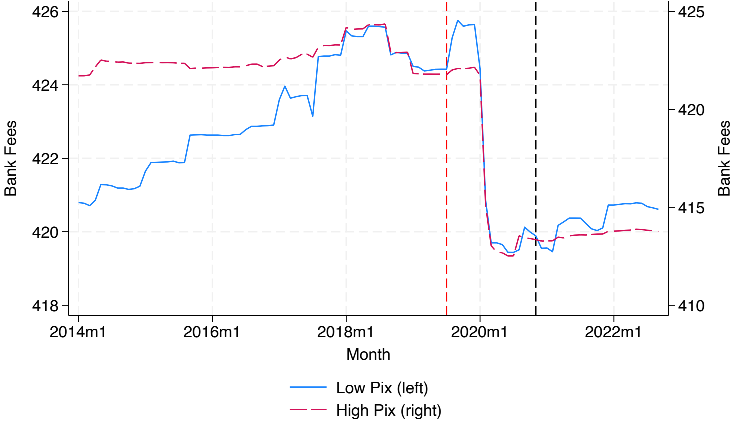
Interbank transfers in the US

- Transferring money from bank to bank can be costly
- Average transactions clear 2-3 business days
- Fees associated with wire or instant transfers
- Slow development of alternatives like FedNow
- **Reasons why deposits are sticky**

Bank fees in the presence of alternatives



The graph is from Liang, Sampaio, Sarkisyan (2024)

This paper

- Depositors are more alert when payment systems are more efficient
  - Transfer delays contribute to people staying at the bank
- When interest rates are high, depositors actively move
  - More moves from banks with delays

Very important contribution to the literature

- Other papers focus on movements in bank deposits

- Erel et al (2023), Koont et al (2023) on digital disruptions

- Sarkisyan (2024) on payment systems

- No paper to my knowledge shows how and why depositors transfer between their own accounts

- Quantifies delay times and their importance – important to convince policymakers

Summary of my comments

1. Payment channel interpretations
2. Interest channel interpretations
3. Minor comments

Comment 1: Payment channel

- There are at least 2 reasons why depositors would move:

1. Because other banks are more convenient

- Depositors value convenience

2. Because your bank is more convenient

- Easy to transfer

It would be nice to separate two channels

Suggestion

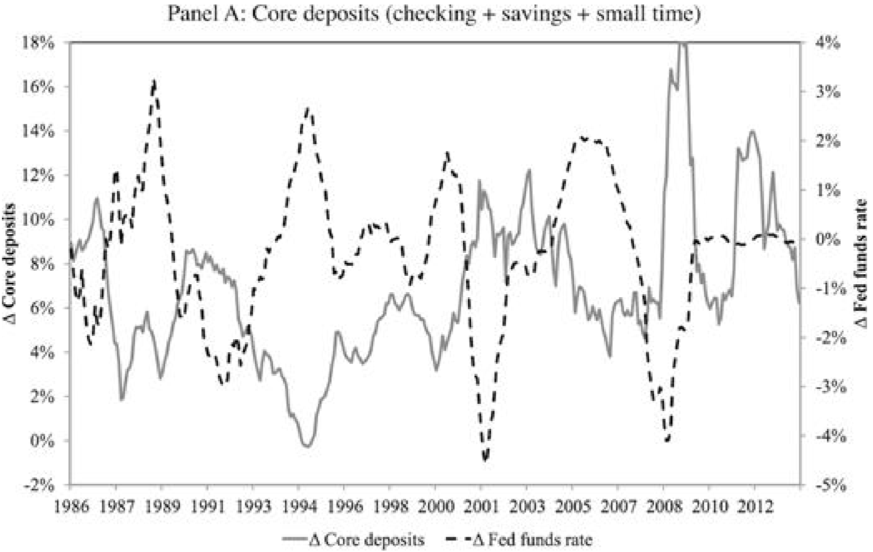
- Track depositors' actions after the move
  - Do they move again?
  - Is the bank they moved to more convenient?
- Differentiate between banks being inefficient and households not wanting to use instant payments
  - Bank or bank-time fixed effects might help

Comment 2: Interest channel

- The paper focuses on depositors moving to other banks
- **Deposit channel:** people move out of banks to MMMF
- Deposit outflows raise banks' interes rate risk but it is different from the authors' risk notion
- Authors mean unearned interest due to delays

\- Annual interest rate over 2-3 business days – is it a big risk?

Deposit channel



Suggestion

- Differentiate between saving and time deposits using interest income
- Saving deposits are easily accessible but time deposits are the ones paying high interest
- Time deposits do not flow out that much (Supera (2022))

Minor comments

- Show pre-trends in identification
- The model is useful but perhaps best fit for Appendix
- What is the motivation behind the size filter? Show the robustness
- Think why R^2's are so low and t-stats are so high in Table 3

Conclusion

- Very important paper – a vital contribution to move forward with payment developments
- More insight into underlying channels would be useful
- Good luck!